

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR HEALTH CARE FINANCING ADMINISTRATION**

REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

1. TRANSMITTAL NUMBER:

0 1 — 0 0 4

2. STATE:

MA

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)

Title XIX

4. PROPOSED EFFECTIVE DATE

January 20, 2001; March 3, 2001

TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

FEDERAL STATUTE/REGULATION CITATION:

2000 1936r-4, 42 USC 1396a(a)(13); 42 CFR 447

PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A(1) page 5,
new pages 24a and 24b

7. FEDERAL BUDGET IMPACT:

a. FFY 2001 \$ 57.5M

b. FFY 2002 \$ 35M

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

page 5

SUBJECT OF AMENDMENT:

Acute Hospital Inpatient Payment Methods

GOVERNOR'S REVIEW (Check One):

- ☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED:

Not required under 42 CFR 430.12(b)(2)(i)

SIGNATURE OF STATE AGENCY OFFICIAL:

PRINTED NAME:

Wendy E. Warring

TITLE:

Commissioner

DATE SUBMITTED:

March 9, 2001

16. RETURN TO:

Bridget Landers
Coordinator for State Plan
Division of Medical Assistance
500 Washington Street
Boston, MA 02111

FOR REGIONAL OFFICE USE ONLY

DATE RECEIVED

DATE APPROVED

EFFECTIVE DATE OF APPROVED MATERIAL

January 20, 2001 (Section IV.C.5)

March 3, 2001 (Section IV.C.6)

PRINTED NAME:

Ronald P. Preston

SIGNATURE OF REGIONAL OFFICIAL

22. TITLE:

Associate Regional Administrator, DMSO

REMARKS:

OFFICIAL
JUN 07 2001

Attachment 4.19A (1)
State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Institutional Reimbursement

Sole Community Hospital - Any Acute Hospital classified as a sole community Hospital by the U.S. Health Care Financing Administration's Medicare regulations, or any Hospital which demonstrates to the Division of Health Care Finance and Policy's satisfaction, that it is located more than 25 miles from other Acute Hospitals in the Commonwealth and which provides services for at least sixty percent (60%) of their primary service area.

Specialty Hospital - Any Acute Hospital which limits admissions to children or to patients under active diagnosis and treatment of eyes, ears, nose, and throat, or diagnosis and treatment of cancer, and which qualifies as exempt from the Medicare prospective payment system regulations.

Transfer Patient - Any patient who meets any of the following criteria: 1) transferred between Acute Hospitals; 2) transferred between a Distinct Part Psychiatric Unit and a medical/surgical unit in an Acute Hospital; 3) receiving substance abuse or psychiatric-related services whose assignment in the BHP changes; 4) who becomes eligible for MassHealth after the date of admission and prior to the date of discharge; or 5) is a Member who exhausts other insurance benefits after the date of admission and prior to the date of discharge.

Upper Limit - The term referring to the level below which it is determined that the Hospital reimbursement methodology will result in payments for Hospital services in the aggregate that are no more than the amount established by federal law.

Usual and Customary Charges - Routine fees that Hospitals charge for Acute Hospital services rendered to patients regardless of payer source.

Essential MassHealth Hospital - A Hospital that meets the qualifications set forth in Section IV.C.5.

MassHealth Critical Access Hospital - A Hospital that meets the qualifications set forth in Section IV.C.6., and which has been so designated by the Division.

TN 01-004
Supersedes TN 00-014

JUN 07 2001
Approval Date _____
Effective Date 1/20/01 and 3/3/01

Attachment 4.19A (1)

**State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Institutional Reimbursement**

5. Essential MassHealth Hospitals (Effective 1/20/01)

a. Qualifications

In order to qualify for payment as an Essential MassHealth Hospital, a Hospital must meet at least four (4) of the following criteria, as determined by the Division:

- 1) The Hospital is a non-state owned public acute Hospital
- 2) The Hospital meets the current MassHealth definition of a non profit teaching hospital affiliated with a commonwealth-owned medical school
- 3) The Hospital has at least 7% of its total patient days as Medicaid days
- 4) The Hospital is an acute care general hospital located in Massachusetts which provides medical, surgical, emergency and obstetrical services
- 5) The Hospital enters into a separate contract with the Division relating to payment as an Essential MassHealth Hospital.

b. Reimbursement Methodology

Subject to specific legislative authorization and appropriation and compliance with federal upper payment limit and other applicable regulations at 42 CFR Part 447, the Division will make a supplemental payment in addition to the standard reimbursement made under the Division's Acute Hospital Contract, to Essential MassHealth Hospitals. Such lump sum payments are made annually at the end of the fiscal year, or at such other times as the Division may determine. The payment amount will be (i) determined by the Division using data filed by each qualifying hospital in its financial and cost reports, and (ii) a percentage of the difference between the qualifying hospital's total Medicaid charges and total Medicaid payments from any source, which percentage shall in no event exceed 100 percent.

6. MassHealth Critical Access Hospitals (Effective 3/3/01)

a. Qualifications

In order to qualify for payment as a MassHealth Critical Access Hospital, a Hospital must meet all of the following criteria, as determined by the Division:

- 1) The Hospital is currently an acute Hospital located and licensed in the Commonwealth of Massachusetts
- 2) The Hospital participates in the MassHealth program pursuant to the Division's Acute Hospital RFA
- 3) The Hospital demonstrates financial need, as evidenced by (a) negative

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operating margin; (b) insufficient cash flow; or (c) decreasing fund balance.

- 4) The Hospital demonstrates actual or potential loss or reduction in critical medical services to MassHealth Members (i.e., obstetric, psychiatric and emergency services) based on the following information for each type of service: (a) the total number of patients who used the service in FY98 and FY99; (b) the number of MassHealth Members who used the service in FY98 and FY99; (c) the number of units of service provided to MassHealth Members in FY98 and FY99; and (d) the availability of the same or similar services within a 25 mile radius.
- 5) The Hospital's current likelihood of continued Hospital operations, evaluated based on: (a) the minimum additional reimbursement the Hospital must receive in order to maintain access to critical medical services for MassHealth Members at the levels currently provided; (b) the Hospital's current plans for closing facilities that currently serve MassHealth Members, or of terminating services currently used by MassHealth Members; and (c) the causes of the Hospital's financial distress.

b. Reimbursement Methodology

Subject to specific legislative appropriation and compliance with federal upper payment limit regulations at 42 CFR Part 447, the Division will reimburse a MassHealth Critical Access Hospital based on the following methodology:

First, each Hospital that applies for reimbursement as a MassHealth Critical Access Hospital is assigned a numerical financial distress rating based upon the Hospital's demonstrated financial need. Second, each applicant Hospital is assigned a numerical rating based upon the loss of access to critical medical services and the current likelihood of continued hospital operations. Based upon these ratings, hospitals are given an overall score and ranked. Available funds appropriated for this purpose are then allocated to the top ranking Hospitals and distributed based upon the greatest financial need, most serious access issues, the reimbursement amount needed to restore or ensure MassHealth Members' continued access to critical services, and in amounts likely to achieve the greatest public health impact.

The reimbursement to MassHealth Critical Access Hospitals referenced above is in addition to the reimbursement otherwise payable to such Hospitals pursuant to **Section IV.B and C**. Total payments to a MassHealth Critical Access Hospital (excluding disproportionate share hospital payments) shall not exceed the Hospital's customary charges to the general public.

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